

BIDDERS COMPANY NAME

REQUEST FOR PROPOSAL

#6159

INVESTMENT CONSULTING

SERVICES

FOR

V.E.B.A.

Prepared By:

Washtenaw County Purchasing
Administration Building
P.O. Box 8645
220 N. Main B-35
Ann Arbor, MI 48107

Robert G. Devault, C.P.M.
Purchasing Manager
(734) 222-6760





WASHTENAW COUNTY

Finance Department

Purchasing Division

P.O. Box 8645, 220 N. Main, Ann Arbor, MI 48107-8645
Phone (734) 222-6760, Fax (734) 222-6764

REQUEST FOR PROPOSAL # 6159

September 21, 2004

Washtenaw County Purchasing Division on behalf of Washtenaw County Human Resources Department is issuing a sealed RFP #6159 for investment consulting services for Washtenaw County Voluntary Employees Beneficiary Association (V.E.B.A.)

Sealed Proposals: Vendor will deliver one (1) original and fifteen (15) copies which are clearly marked as such and must contain one original signature to the following address:

**Washtenaw County
Administration Building
Purchasing Division
220 N. Main St. Room B-35
P.O. Box 8645
Ann Arbor, MI. 48107**

by 3:00 p.m. on TUESDAY OCTOBER 12, 2004

This submission shall include the entire Request For Proposal document, requested attachments, and any amendments if issued.

Proposals received after the above cited time will be considered a late bid and are not acceptable unless waived by the Purchasing Manager.

- Please use the attached self-addressed label or the envelope must be clearly marked "**SEALED RFP # 6159**".
- Please direct purchasing and procedural questions regarding this RFP to Robert Devault at **734-222-6760** or devaultb@ewashtenaw.org
- Please direct technical questions regarding this RFP to Chyanne Cooper at **734-222-6831** or cooperc@ewashtenaw.org

Thank you for your interest.

I. PROPOSAL

Definitions:	"County"	is Washtenaw County in Michigan.
	"Bidder"	an individual or business submitting a bid to Washtenaw County.
	"Contractor"	One who contracts to perform work or furnish materials in accordance with a contract.

Purpose of Proposal:

To provide investment consulting services to the Board of Trustees of the Washtenaw County Voluntary Employees Beneficiary Association, to define the Board's minimum requirements, to solicit proposals, and to gain adequate information from which the Board may evaluate such services.

Proposal Terms:

A. Washtenaw County reserves the right to reject any and all proposals received as a result of this RFP. If a proposal is selected, it will be the most advantageous regarding price, quality of service, the Contractors qualifications and capabilities to provide the specified service, and other factors which Washtenaw County may consider. The County does not intend to award a contract fully on the basis of any response made to the proposal; the County reserves the right to consider proposals for modifications at any time before a contract would be awarded, and negotiations would be undertaken with that contractor whose proposal is deemed to best meet the County's specifications and needs.

B. Proposals must be signed by an official authorized to bind the contractor to its provisions for at least a period of 90 days. Failure of the successful bidder to accept the obligation of the contract may result in the cancellation of any award. See Section III "Standard Provision for Contracts" page 3, for contract requirements.

C. In the event it becomes necessary to revise any part of the RFP, addenda will be provided. Deadlines for submission of RFP's may be adjusted to allow for revisions. To be considered, an original proposal and fourteen (14) copies must be at the County Purchasing Office on or before the date and time specified.

D. Proposals should be prepared simply and economically providing a straight-forward, concise description of the contractor's ability to meet the requirements of the RFP. Proposals shall be written in ink or typewritten. No erasures are permitted. Mistakes may be crossed out and corrected and must be initialed in ink by the person **signing** the proposal.

E. The price quotations stated in the bidder's proposal will not be subject to any price increase from the date on which the proposal is opened at the County Purchasing Office to the mutually agreed-to date of contract.

Term of Contract:

The contract is for a one (1) year term. If both the VEBA Board and Consultant agree the contract could be extended for two additional years [years two (2) and three (3)]. The extensions would be for one year at a time and would follow the same terms and conditions in the contract.

Cost of RFP:

The County will not be liable for any costs associated with the preparation, transmittal, or presentation of any materials submitted in response to this RFP.

By submitting a proposal, your firm:

1. Agrees to conform to all applicable Federal, State and local laws.
2. Agrees that the VEBA Board reserves the right to terminate the relationship at any time with the assurance that the firm will be entitled to reimbursement for any contractual services rendered prior to the date of termination
3. Shall provide a statement that your firm has no conflicting financial or professional interest and is qualified to perform the services.

II. PROPOSAL SPECIFICATIONS

The proposal will include all of the following information:

- A. Contractor's Qualifications, years in business, experience in providing the level and type of service specified in the proposal, including work done for the public sector, if any.
- B. At least five (5) references covering similar services, including those in the public sector, if any. Include company name, contact name, and phone number.
- C. Bank reference with name and phone number of contact person.

The Board will consider references to be important in its decision to award a contract. The County will not call proposers to tell them that their references will be contacted because all references provided will be contacted by the Board during the selection process. The Board will not work through a proposer's Reference manager to complete a reference. Any proposer who does not provide client names and phone numbers may be eliminated for non-responsiveness.

Proposers short-listed for oral presentations agree to be available on November 4, 2004. Failure to be available on specified date will lead the Board to elevate another proposal for further consideration. The Board may also deem site visits necessary prior to final selection.

III. STANDARD PROVISIONS FOR CONTRACTS

If a contract is awarded, the selected vendor will be required to adhere to a set of contract provisions which will become a part of any formal agreement. These provisions will be negotiated by the Board of Trustees of the

Washtenaw County Voluntary Employees Beneficiary Association or their legal representative.

IV. BID SPECIFICATIONS

OVERVIEW

Washtenaw County has established a Voluntary Employees Beneficiary Association (VEBA) Trust Fund for the purpose of pre-funding retiree health care. The five (5) member VEBA Board of Trustees has the authority to hire all necessary professionals to insure this trust is managed in the best interest of the employees and retirees who will be eligible for the health care benefits provided by Washtenaw County.

The purpose of the VEBA is to provide a prefunding mechanism for medical benefits for certain retirees of Washtenaw County. The VEBA is actuarially funded. The VEBA board believes that its investments are governed by (among other things) Michigan Public Act 314 of 1965, as amended.

The Washtenaw County VEBA Board of Trustees intends to secure a contract for investment consultant services. The purpose of this Request for Proposal (RFP) is to define the Board's minimum requirements, solicit proposals, and gain adequate information from which the VEBA Board may evaluate such services.

The VEBA has a total market value of over Twenty Nine Million (\$29,000,000) Dollars, and is receiving ongoing contributions.

SCOPE OF SERVICES

The primary role of the Board's Investment Consultant is to provide objectives, third-party advice, and counsel that will enable the Board of Trustees to make well-informed and well-educated decisions regarding the investment of the VEBA's assets. The Investment Consultant's role is that of a non-discretionary advisor to the VEBA. The Investment Consultant shall render investment advice for a fee. For example (and not by way of limitation), the Investment Consultant shall provide advice regarding investment policies, asset allocation, and investment manager selection and monitoring. The Consultant shall acknowledge its responsibilities as a fiduciary under Public Act 314 of 1965, as amended. The Investment Consultant must be a registered investment advisor under both the Investment Advisors Act of 1940 and the Michigan Uniform Securities Act.

Contractual services for investment consulting will include, but not be limited, to the following:

1. Development of Investment Policy, Objectives and Guidelines

Assist the Board in the development and periodic review of a policy statement that properly reflects the Board's tolerance for risk and that best helps the Board meet its rate-of-return, funded status, and administrative expense objectives.

2. Asset Allocation Studies

Conduct an asset allocation study to determine whether or not the current asset allocation falls within the Board's investment objectives and guidelines.

3. Investment Manager Search

When deemed necessary, assist the Board in its due diligence and search for new investment manager(s) utilizing the appropriate database.

4. Development of Investment Manager Performance Standards and Guidelines

Assist the Board in the development and review of performance standards and guidelines with which the Board can measure each investment manager's progress. Attend monthly meetings or special meetings as requested by the Board.

5. General Consulting Services

Provide general consulting services as requested by the Board. These might include custodial search and selection, etc.

6. Performance Measurement & Monitoring

Monitoring the performance of the investment managers to provide the VEBA Board of Trustees with the ability to determine the progress toward the investment objectives.

7. Monitor compliance with Act 314

Monitoring the investment of the VEBA's assets with regard to the asset limitations under Public Act 314 of 1965, as amended, with written quarterly reports submitted to the VEBA. The Investment Consultant shall also coordinate Investment Managers, to assure constant compliance with the asset allocation restrictions of Public Act 314 and of the VEBA's own Policies and Guidelines.

8. Assist in Fund Diversification

Assist the Board in the development of an investment manager structure that provides adequate diversification with respect to the number and types of investment managers to be retained by the Board.

9. Custodial Services

The consultant will be retained on a fee basis to provide custodial services to the VEBA.

The consultant will work cooperatively with the Treasurer of the Trust and adhere to County Treasurer practices and policies as it pertains to transfers of funds.

SUBMISSION REQUIREMENTS

To achieve a uniform review process and obtain the maximum degree of comparability, it is required that the proposal be organized in the following manner:

1. Title Page

Please indicate the RFP subject, the name of your organization, address, telephone number, name of contact person and date.

2. Table of Contents

Clearly identify the material by section and page number.

3. Letter of Transmittal

Limit your letter of transmittal to one or two pages.

4. Response to Request for Proposal

Please respond to each question in order of sequence in the Request for Proposal (Section II).

- a. Briefly state your organizations understanding of the nature of the work.
- b. Give the names of the persons who will be authorized to make presentations for your organization, their titles, addresses, and telephone numbers.

5. Submission

The VEBA Board of Trustees requests that a total number of fourteen (14) complete sets of your proposal be submitted.

Proposals must be presented to the VEBA Board of Trustees in a sealed envelope clearly marked as follows:

PROPOSAL: RFP #6159 Investment Consulting Services Proposal

Washtenaw County Administration Building
Purchasing Division
220 N. Main St. Room B-35, P.O. Box 8645,
Ann Arbor, MI 48107-8645

Your response to this RFP must be received at the above address by 3:00 p.m. on **October 12, 2004.**

All inquiries about the RFP should be brought to the attention of Robert G. Devault, Purchasing Division

The VEBA Board of Trustees appreciates the time and effort you will have expended in responding to this RFP.

REQUEST FOR PROPOSAL

A. FIRM INFORMATION

1. Name of your firm, its address, telephone number, federal tax identification number, and primary contact for the request for proposal.
2. Is your organization a subsidiary, parent, or affiliate of any other firm? If so, please describe in detail. Also, do any of these affiliates provide any other retirement fund or welfare fund services such as investment management, insurance, administrative, or actuarial work, etc.? If you provide more than one service, how do you protect against conflicts of interest? Have you ever included your own firm, subsidiary or sponsored investment vehicle in a manager search you are conducting?
3. What is the number of full time employees in your firm? What is the location of your nearest office to Washtenaw County? Provide a breakdown by classification (consultant, managerial, clerical, etc.) for both your national and local operation. If more than one office, how are consultants apprized of developments in the investment arena?
4. Please submit biographical profiles on the individual(s) who will be assigned to our account. Also, where are these individuals located? Who will attend review meetings? How many senior people have left your company in the last three (3) years? How many support staff have left your company in the last three (3) years? Be specific as to experience, performance measurement, manager search, investment policy consulting. What public funds

experience do you have? Provide a list of all public pension or welfare fund clients under contract to date.

5. Please explain size, composition, and source of your performance measurement database. What indices are used for relative comparisons? Were your software systems developed entirely in-house or purchased from outside sources? If you do not maintain databases, whose database do you use?
6. Why is your firm uniquely qualified to service our account?
7. Disclose formal or informal business relationships with investment managers or other service providers to pension or welfare trust funds.
8. Please provide data showing the number of clients served by your firm providing similar services to those required by this proposal for the last 3 years showing the number of clients added or deleted in each year.
9. **It is mandatory that your firm submit with its bid, a copy of the most recent "Form ADV" as submitted to the United States Security & Exchange Commission.**

B. INVESTMENT POLICY/ASSET ALLOCATION GUIDELINES

1. Provide an outline of the principle steps you would follow when developing a statement of Investment Policy and Objectives. Does your investment policy and asset allocation analysis fully integrate liabilities with assets? How do you interface with the retirement or welfare system's actuary? Legal Counsel?
2. How many meetings would be required with the VEBA Board? Who would attend from your firm?
3. Provide an outline of the issues and items that would be covered in a typical policy statement.
4. What is your approach to development of asset allocation guidelines? Please describe this process in detail, including application of major variables (e.g. - risk tolerance, emerging liabilities, etc.).
5. What asset classes are included in your work?
6. What geographic areas of the world do you consider appropriate for pension asset investments?
7. Does your approach include passive strategies such as indexation? If so, please describe.

C. INVESTMENT MANAGER SELECTION

1. What is the procedure and criteria you will follow in the selection of additional investment advisors? How long might the process take from start to finish?
2. How many firms do you track for manager search purposes? How many managers have made final presentations from the total search database?
3. Do the consultants assigned to our account actually interface with prospective managers? How much time do they spend in an average week interviewing managers? How many managers a week do our assigned consultants see? Is due diligence performed for all managers' offices? If so, please explain your due diligence process. How are consultants apprised with respect to developments about managers?
4. What computer systems do you utilize to help in your manager screening? Which are purchased and which are proprietary?
5. Do you monitor your success in selecting managers? In recommending asset classes and allocations? Explain how you measure the level of success of existing managers. Please be specific.
6. What criteria are used to recommend termination of a manager, or a change in asset allocation?
7. Do you believe that, when a manager or asset class is not performing, the consultant who presented this manager or recommended this asset class should be held accountable also? If so, how? If not, why? If "it depends", please explain.

D. PERFORMANCE EVALUATION

1. Specifically describe your performance evaluation system and the philosophy behind it. Is your system propriety or did you obtain it from another supplier?
2. How soon following the end of a quarter can you have copies of evaluation reports to us? How frequently do you recommend performance evaluation reviews?
3. Provide samples of your standard reports. How much variation is available from your standard report?
4. Describe and illustrate any special indices constructed by your firm.

5. Please describe, in detail, the optimal role that your firm would like to take in manager presentations to the VEBA Board. What other services are provided, such as custodian search.

E. CUSTODIAL SERVICES

Does your firm provide custodial services?

F. FEES

1. Please indicate your fee schedule for investment performance analysis services, asset allocation, investment policy, manager search, custodial search, custodial services, etc. If your fee schedule is based on soft dollars, please also quote each service by type on a hard dollar basis.
2. Would you charge separately for travel expenses? If so, explain in detail your policy.
3. What other costs or expenses might we incur with your firm?
4. Do you offer payment by cash on a pro rata quarterly basis billed in arrears?
5. If services are also quoted on a soft dollar basis, what is the cost in cents per share? What is the commission to cash conversion ratio? Also, how do you report to us on commissions received?
6. What percentage of typical equity managers trades do you feel should be used for client directed brokerage purposes?
7. Do you give credit for commissions received above services? What type of recapture is used for those excess commissions?
8. Please provide all complaints received by the Securities and Exchange Commission and the National Association of Securities Dealers. Has your firm been involved in litigation within the last five years or is there any pending litigation arising out of your performance? If your answer is yes, explain fully.

SIGNATURE PAGE

_____ Signature	_____ Company Name		
_____ Print Name	_____ Company Address		
_____ Title	_____ City	_____ St.	_____ Zip
_____ Telephone #	_____ Fax #		
_____ Federal Tax ID #	<i>CHECK ONE</i>		
	Partnership	_____	
	Non Profit Corp.	_____	
	Profit Corp.	_____	
	Other	_____	

The above individual is authorized to sign on behalf of company submitting proposal.

An official authorized to bind the provider to its provisions for at least a period of 90 days must sign proposals.